

## **Module 4 – Identifying Risks**

### Handout 2 – Account (Caption) Risk Ranking Criteria

Below is the risk assessment criteria that should be used by Agencies when performing risk assessments. Agencies are required to use judgment in defining applicable Size and Composition and Transaction Volume criteria.

		<b>High (Points – 3)</b>	<b>Moderate (Points – 2)</b>	<b>Low (Points – 1)</b>
<b>1</b>	<b>Size and Composition</b>	Account balance greater than or equal to High materiality.	Account balance less than High materiality but greater than Low materiality.	Account balance less than or equal to Low materiality.
<b>2</b>	<b>Transaction Volume</b>	Multiple transactions per day.	More than ## transactions per year but less frequent than one transaction per day.	Less than ## transactions per year.
<b>3</b>	<b>Transaction Complexity</b>	Transactions are complex in nature (i.e. complex calculations, requiring significant financial disclosures, complex accounting guidance associated with account, etc.)	Majority of the transactions are non-complex. However, some transactions require additional attention due to their complexity.	Transactions are routine in nature.
<b>4</b>	<b>Subjectivity and Estimation</b>	75% of the account balance is based on subjectivity or estimates.	Greater than 10% but less than 75% of the account balance is based on subjectivity or estimates.	Less than 10% of the account balance is based on subjectivity or estimates.
<b>5</b>	<b>Inherent Risk</b>	History of <u>reoccurring</u> or <u>recent</u> audit findings or material adjustments, <u>recent</u> fraudulent activity, and/or high probability that fraud or errors would impact the account.	History of <u>past</u> audit findings, immaterial adjustments, <u>past</u> fraudulent activity or errors, and/or whether it is reasonably probable that fraud or errors would impact the account.	<u>No history</u> of audit findings, adjustments or fraud, and low probability of fraud and errors.
<b>6</b>	<b>Total Score</b>	Total Score of 12 or greater.	Total Score less than 12 but greater than 8.	Total Score of 8 or less.